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It is subject to change and Michigan Department  
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Final forms will be available in early January 2009.

**DO NOT FILE THIS DRAFT FORM.**

Draft forms that are filed will be rejected by the  
Michigan Department of Treasury.

## 2008 MICHIGAN Business Tax Common Credits for Small Businesses

Issued under authority of Public Act 36 of 2007.

Name	Federal Employer Identification Number (FEIN) or TR Number
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### The Small Business Alternative Credit is NOT available if any of the following conditions exist:

- Gross receipts exceed \$20,000,000; or
- Adjusted business income after loss adjustment exceeds \$1,300,000; or
- Any individual, shareholder or officer has allocated income after loss adjustment of over \$180,000, or any partner has distributive share of income after loss adjustment of over \$180,000, as determined on Form 4577 or 4578. Form 4577 or 4578 must be attached.\*\*
- Compensation and directors' fees of a shareholder or officer of a regular corporation exceed \$180,000.

### The Small Business Alternative Credit must be reduced if any of the following conditions exist:

- Any individual, shareholder or officer has allocated income after loss adjustment of over \$160,000 but not over \$180,000, or any partner has distributive share of income after loss adjustment of over \$160,000 but not over \$180,000, as determined on Forms 4577 or 4578. Form 4577 or 4578 must be attached.\*\*
- Gross receipts exceed \$19,000,000 but are less than \$20,000,000.

\*\* Does not apply to individuals and fiduciaries filing as individuals.

1. Tax liability prior to this credit from Form 4568, line 6 .....

### PART 1: SMALL BUSINESS ALTERNATIVE CREDIT

If not claiming a Small Business Alternative Credit, skip to Part 2.

#### Adjusted Business Income

- Business Income from Form 4567, line 21 (see instructions).....
- Capital loss from federal return .....
- Federal net operating loss carryover or carryback from Form 4567, line 22d .....
- a. Subtotal. Add lines 2, 3 and 4..... 5a. 

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- b. Fiscal Filers: If box 10e checked on Form 4567, multiply line 5a by percentage on Form 4567, line 10h..... 5b. 

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- c. If box 10e on Form 4567 checked, enter amount from line 5b. All others, enter amount from line 5a .....
- Compensation and director fees of active shareholders from Form 4577, line 3 .....
- Compensation and director fees of officers from Form 4577, line 4 .....
- Adjusted Business Income. Add lines 5c, 6 and 7 .....

#### Small Business Alternative Credit Calculation

- Small Business Alternative Tax. Multiply line 8 by 1.8% (0.018). If less than zero, enter zero .....
- Small Business Alternative Credit.** Subtract line 9 from line 1. If less than zero, enter zero .....
- Reduced Credit.** Multiply line 10 by the reduced credit percentage from the Table below. If gross receipts from Form 4567, line 11, are less than \$19,000,000, carry amount to Form 4568, line 7 .....
- Tax After Small Business Alternative Credit. Subtract line 11 from line 1 .....

#### Reduction Based on Gross Receipts

Complete this section if gross receipts are more than \$19,000,000 but not more than \$20,000,000.

- Gross receipts from Form 4567, line 11 (see instructions for tax years less than 12 months).....
- Excess gross receipts. Subtract \$19,000,000 from line 13 .....
- Excess percentage. Divide line 14 by \$1,000,000.....
- Allowable percentage. Subtract line 15 from 100%.....
- Small Business Alternative Credit.** Multiply percentage on line 16 by the credit on line 11. Carry amount to Form 4568, line 7 .....
- Tax After Small Business Alternative Credit. Subtract line 17 from line 1 .....

#### REDUCED CREDIT TABLE

If allocated* income is:	The reduced credit is:
\$0 - \$160,000 .....	100% of the Small Business Alternative Credit
\$160,001 - \$164,999 .....	80% of the Small Business Alternative Credit
\$165,000 - \$169,999 .....	60% of the Small Business Alternative Credit
\$170,000 - \$174,999 .....	40% of the Small Business Alternative Credit
\$175,000 - \$180,000 .....	20% of the Small Business Alternative Credit

\* See instructions for tax years less than 12 months.

PART 2: GROSS RECEIPTS FILING THRESHOLD CREDIT

Complete this section if apportioned gross receipts are greater than \$350,000 but less than \$700,000.  
See instructions for tax years less than 12 months.

19.	Tax before credit from line 1, 12 or 18, whichever applies .....	19.		00
20.	Threshold Ceiling .....	20.	700,000	00
21.	Gross Receipts from Form 4567, line 11 (Unitary Business Groups: See instructions) .....	21.		00
22.	Apportioned Gross Receipts. Multiply line 21 by percentage from Form 4567, line 10d .....	22.		00
23.	Excess Gross Receipts. Subtract line 22 from line 20. If negative, enter zero on line 25 (no credit allowed) .....	23.		00
24.	Gross Receipts Filing Threshold Credit Percentage. Divide line 23 by \$350,000 .....	24.		%
25.	<b>Gross Receipts Filing Threshold Credit.</b> Multiply line 24 by line 19. Carry amount to Form 4568, line 8 .....	25.		00
26.	Tax After Gross Receipts Filing Threshold Credit. Subtract line 25 from line 19. (This line must be equal to Form 4568, line 9.) .....	26.		00

DRAFT  
DO NOT FILE

# Instructions for Form 4571

## 2008 Michigan Business Tax (MBT) Common Credits for Small Businesses

**Fiscal Year Filers:** See "Supplemental Instructions for Initial Fiscal MBT Filers" on page 133.

### Purpose

To allow taxpayers to calculate the Small Business Alternative Credit and the Gross Receipts Filing Threshold Credit. Credits are calculated here and then carried to the *MBT Nonrefundable Credits Summary* (Form 4568).

A taxpayer is disqualified for the Small Business Alternative Credit under certain circumstances, which are detailed below. In addition, the Small Business Alternative Credit is reduced if an Individual, a partner in a Partnership, or shareholder or officer of a Corporation has allocated income (or distributive share of income, for a partner) after loss adjustment of more than \$160,000. This reduction is based on the individual/partner/officer/shareholder with the largest allocated or distributive share of income.

A taxpayer must file a return if allocated or apportioned gross receipts to Michigan are \$350,000 or more. However, a taxpayer with allocated or apportioned gross receipts to Michigan of more than \$350,000, but less than \$700,000, may claim a Gross Receipts Filing Threshold Credit.

**NOTE:** A member of a Limited Liability Company (LLC) is characterized for MBT purposes as a partner, shareholder or owner, based on the federal characterization of the LLC. An LLC taxed as a Partnership for federal purposes is required to file as a Partnership for MBT. Similarly, an LLC taxed as a Corporation for federal purposes must file as a Corporation for MBT.

### Eligibility

#### Tax Years less than 12 months

If the reported tax year is less than 12 months, gross receipts, adjusted business income, and partners' and shareholders' or officers' share of business income must be annualized to determine eligibility and to compute the Small Business Alternative Credit. If annualized gross receipts exceed \$19,000,000 but do not exceed \$20,000,000, annualize figures to compute the Reduction Based on Gross Receipts, lines 13 through 18. Part-year partners or shareholders must annualize their share of business income to determine their eligibility.

**NOTE:** Taxpayers leasing employees from professional employer organizations must include the compensation of officers (of the operating company) in determining the eligibility for Small Business Alternative Credit even though their compensation is paid by the professional employer organization.

Taxpayers are not eligible for the Small Business Alternative Credit if any of the following conditions exist:

- Gross receipts exceed \$20,000,000.
- Adjusted business income after loss adjustment exceeds:
  - \$1,300,000 for Corporations or Partnerships (and LLCs federally taxed as such).
  - \$180,000 for Individuals (including a single member, disregarded LLC owned by an Individual) or Fiduciaries.

- Any shareholder or officer has allocated income after loss adjustment of over \$180,000 or any partner has distributive share of income after loss adjustment of over \$180,000, as determined on the *MBT Schedule of Shareholders and Officers* (Form 4577), or the *MBT Schedule of Partners* (Form 4578).

### Corporations

Allocated income for regular Corporations is either:

- (a) Shareholders' or officers' compensation and director fees from Form 4577, column L, or
- (b) Shareholders' compensation, director fees and share of business income (or loss), after loss adjustment, from Form 4577, column N.

If either (a) or (b) is greater than \$180,000, the Corporation is not eligible for the Small Business Alternative Credit. In addition, if either (a) or (b) is more than \$160,000 but not more than \$180,000, the Corporation must reduce the Small Business Alternative Credit based on the officer or shareholder with the largest allocated income.

### S Corporation

Allocated income for S Corporations is shareholders' compensation, director fees and share of business income (or loss), after loss adjustment, from Form 4577, column N.

**NOTE:** Individuals and Fiduciaries filing as Individuals do not need to file Forms 4577 and 4578.

### Loss Adjustment

If taxpayers are not eligible for the full Small Business Alternative Credit due to an adjusted business income or allocated income disqualifier, they may benefit from the *MBT Loss Adjustment Worksheet for the Small Business Alternative Credit* (Form 4575). If the adjusted business income was less than zero in any of the five years immediately preceding the tax year for which a taxpayer is claiming a credit and a Small Business Credit or Small Business Alternative Credit was received for that same year, the taxpayer may be able to adjust the current year's adjusted business income or allocated income amounts by the loss. See Form 4575 for more details.

A loss adjustment will not affect a reduction to the Small Business Alternative Credit based on gross receipts that exceed \$19,000,000. It will also not change the amount of compensation on Form 4577, column L, for a C Corporation.

### Special Instructions for Unitary Business Groups

Unitary Business Groups (UBGs) calculate the gross receipts and adjusted business income disqualifiers at the UBG level. Intercompany eliminations are not authorized. Each member of the UBG must file Form 4577 or Form 4578, whichever is applicable. The disqualifier that is based on compensation and/or share of business income attributable to an owner or officer is applied on a separate entity basis and is not a combined amount received from all members of a UBG.

A disqualifier applies to a UBG if such disqualifier applies to any member of that UBG. For example, a UBG is disqualified from taking the Small Business Alternative Credit if that UBG includes a member that is a Partnership and any one partner of that Partnership receives more than \$180,000 as a distributive share of the adjusted business income minus loss adjustment of the Partnership.

Similarly, the reduction percentages apply to a taxpayer that is a UBG if such reduction percentages apply to any member of that UBG. For example, the Small Business Alternative Credit of a taxpayer is reduced by 20 percent if the taxpayer is a UBG that includes a member that is a Corporation, and the compensation and directors' fees of an officer of that member Corporation exceed \$160,000, but are less than \$165,000.

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## Line-by-Line Instructions

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*Lines not listed are explained on the form.*

**Name and Account Number:** Enter name and account number as reported on page 1 of the applicable MBT annual return (either the *MBT Annual Return* (Form 4567) for standard taxpayers or the *MBT Annual Return for Financial Institutions* (Form 4590)).

**UBGs:** Complete one form for the group. Enter the Designated Member (DM) name in the Taxpayer Name field and the DM account number in the Federal Employer Identification Number (FEIN) field.

### PART 1: SMALL BUSINESS ALTERNATIVE CREDIT

Skip to Part 2 of this form if not claiming a Small Business Alternative Credit.

Business income is adjusted by federal net operating loss carryforwards and carrybacks from the *MBT Annual Return* (Form 4567), line 22d. It is also adjusted by compensation and director fees of active shareholders and officers from Form 4577 and by capital losses.

#### Adjusted Business Income

**Line 2:** Enter business income from Form 4567, line 21. If not subject to Business Income Tax, enter business income from appropriate worksheet on page 28.

**Line 3:** Enter all capital losses that were used federally to offset capital gain. This is not the net figure found on the Schedule D lines identified below. It is the amount of capital losses that were used in reaching the net figure on the federal return lines. If filing a U.S. Form 1040 or 1041, include the capital loss amount that the Individual or Fiduciary was able to use against the capital gain or the capital loss amount that the Individual or Fiduciary was permitted to deduct from ordinary income (\$3,000 or less). Use both long-term and short-term capital losses here.

Identify the capital losses used in calculating the net figure found on:

- Form 1040, Schedule D: Lines 7 and 15
- Form 1041, Schedule D: **Lines X and X**
- Form 1065, Schedule D: **Lines X and X**

- Form 1120, Schedule D: **Line X**
- Form 1120S, Schedule D: **Lines X and X**

**Line 5b:** Fiscal year filers using annual method, multiply line 5a by percentage from Form 4567, line 10h. (If using the actual method, do not complete this line.)

**Line 5c:** If Fiscal Year Filer using annual method, enter amount from 5b. All others enter amount from line 5a.

**Lines 6 and 7:** Fiscal Year Filers, see "Supplemental Instructions for Initial Fiscal MBT Filers" on page 133.

### Small Business Alternative Credit Calculation

**Line 11:** All taxpayers must complete this line. Note that a taxpayer whose owners or officers all have allocated or distributive income \$160,000 or below will receive a "reduced credit percentage" of 100 percent from the table on the form.

#### Reduction Based on Gross Receipts

If filing for less than 12 months, taxpayers must annualize their gross receipts to see if annualized gross receipts are between \$19,000,000 and \$20,000,000.

**Line 13:** For tax periods less than 12 months, enter annualized gross receipts.

**UBGs:** For the purpose of calculating this credit reduction, the UBG combined gross receipts amount reported on line 13 of this form must reflect the sum of every member's gross receipts on a 12-month basis. Therefore, if no members of the UBG are short year filers, enter the amount from the *MBT Unitary Business Group Combined Filing Schedule* (Form 4580), Part 2B, line 10A. Otherwise, for all short year members of the group, annualize their gross receipts amount from Form 4580, Part 2A, line 10, and then combine the annualized amounts with the gross receipts (Form 4580, Part 2A, line 10) for the remaining group members. Enter the sum of all members' 12-month basis gross receipts on line 13 of this form.

### PART 2: GROSS RECEIPTS FILING THRESHOLD CREDIT

Complete Part 2 if apportioned gross receipts are greater than \$350,000 but less than \$700,000.

Gross receipts must be annualized for tax periods less than 12 months.

**Line 21:** For tax periods less than 12 months, enter annualized gross receipts.

**UBGs:** For the purpose of calculating this credit only, the UBG combined gross receipts amount reported on line 21 of this form must reflect the sum of every group member's gross receipts on a 12-month basis. Therefore, if no members of the UBG are short year filers, enter the amount from Form 4580, Part 2B, line 10A. Otherwise, for all short year members of the group, annualize their gross receipts amount from Form 4580, Part 2A, line 10, and then combine the annualized amounts with the gross receipts (Form 4580, Part 2A, line 10) for the remaining group members. Enter the sum of all members' 12-month basis gross receipts on line 21 of this form.

**Attach this schedule to the return.**